

105TH CONGRESS
1ST SESSION

H. R. 615

To amend the Internal Revenue Code of 1986 to allow expanded penalty-free withdrawals from certain retirement plans during periods of unemployment.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 5, 1997

Mr. McDERMOTT (for himself, Mr. RANGEL, Mr. MATSUI, Mr. LEWIS of Georgia, Mr. DELLUMS, Mr. TORRES, Ms. NORTON, Mr. RUSH, Mr. HINCHEY, Mr. FAZIO of California, Ms. LOFGREN, Mrs. CLAYTON, and Mr. CANADY of Florida) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow expanded penalty-free withdrawals from certain retirement plans during periods of unemployment.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. DISTRIBUTIONS FROM CERTAIN PLANS MAY BE**
4 **USED WITHOUT PENALTY DURING PERIODS**
5 **OF UNEMPLOYMENT.**

6 (a) IN GENERAL.—Paragraph (2) of section 72(t) of
7 the Internal Revenue Code of 1986 (relating to exceptions
8 to 10-percent additional tax on early distributions from

1 qualified retirement plans) is amended by adding at the
2 end the following new subparagraph:

3 “(E) ADDITIONAL DISTRIBUTIONS TO UN-
4 EMPLOYED INDIVIDUALS.—

5 “(i) IN GENERAL.—Distributions from
6 an individual retirement plan, or from
7 amounts attributable to employer contribu-
8 tions made pursuant to elective deferrals
9 described in subparagraph (A) or (C) of
10 section 402(g)(3) or section
11 501(c)(18)(D)(iii), to an individual after
12 separation from employment if—

13 “(I) such individual has received
14 unemployment compensation for 12
15 consecutive weeks under any Federal
16 or State unemployment compensation
17 law by reason of such separation, and

18 “(II) such distributions are made
19 during the 1-year period beginning on
20 the date of such separation.

21 “(ii) DISTRIBUTIONS AFTER REEM-
22 PLOYMENT.—Clause (i) shall not apply to
23 any distribution made after the individual
24 has been employed for at least 60 days

1 after the separation from employment to
2 which clause (i) applies.

3 “(iii) COORDINATION WITH SUBPARA-
4 GRAPH (D).—Distributions during the 1-
5 year period described in clause (i)(II) shall
6 not be taken into account in applying the
7 limitation under subparagraph
8 (D)(i)(III).”

9 (b) CONFORMING AMENDMENTS.—

10 (1) Section 401(k)(2)(B)(i) of such Code is
11 amended by striking “or” at the end of subclause
12 (III), by striking “and” at the end of subclause (IV)
13 and inserting “or”, and by inserting after subclause
14 (IV) the following new subclause:

15 “(V) the date on which a period
16 referred to in section 72(t)(2)(E) be-
17 gins, and”.

18 (2) Section 403(b)(11) of such Code is amend-
19 ed by striking “or” at the end of subparagraph (A),
20 by striking the period at the end of subparagraph
21 (B) and inserting “, or”, and by inserting after sub-
22 paragraph (B) the following new subparagraph:

23 “(C) for distributions to which section
24 72(t)(2)(E) applies.”

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to distributions after the date of
3 the enactment of this Act.

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